Item 1. Welcome and introductions
1.1 The Chair welcomed the Committee, the following declarations of interest were made:
   - Norman Boyland for the colleges in his region:
     - North West Kent College, and;
     - Southampton College
   - Paul Jagger for the colleges in his region:
     - Huddersfield Technical College,
     - Wyke College, and;
     - East Riding College.
   - Richard Haynes for Barnet College as the college had been a client of his firm several years ago.

Item 2. Minutes of last meeting
2.1 The minutes of the last meeting were approved with the following amendments:
   - The attendees for Dunstable College should read “Chris Vesey”
   - Richard Haynes declared an interest for Barnet College
   - Item 3.3 should read: “exceptional costs are often as a result of site specific issues”
   - Item 5.2 should read: “served as Vice Principal for 4 years”
   - Item 5.21 should read “identified 5 areas”
   - Item 8.1 should read “Hartpury College”
**Item 3. Matters arising**

3.1 Item 3.4 - Project scrutiny. Philip Head is considering the best way of increasing scrutiny without increasing bureaucracy or delaying projects. Peer review is thought to be the best option; however the ideas are still being developed.

3.2 It was suggested that a review of the whole procedure for getting projects to the Committee should be done. The meeting papers are increasing in size every month and some members felt there is too much information to take in.

**Action:** Philip Head to report back on project scrutiny at a future meeting.

3.3 Item 5.21 – The North East Regional Director confirmed that the Hartlepool College project proposal will come back to the June meeting.

**Gateshead College**

3.4 The Committee were reminded that the college had hoped for circa £17million, and expected at least £12million from the land sale in order to fund the extension. The college will not get this level and are therefore in need of an additional grant of the order of £2.4million. The college has managed its budgets well in every other aspect of the project.

**Decision:** The Committee recommended that the Chief Executive should approve the additional funds under his delegated authority. It was noted that in the current economic climate there may be many other projects in a similar position.

3.5 The Committee were informed that banks will be increasing their lending rates very soon; Lloyds TSB will set their rates to circa 0.5% above LIBOR, which is roughly equivalent to 1% above the base rate. No lending on the base rate is likely to be given in future. Unused money charges are also likely to be introduced.

**Item 5.52 – Barnet College**

3.6 The Principal of Barnet College had come to the committee meeting to discuss concerns about project management and other issues.

3.7 A fixed price contract is now in place and costs will therefore be tightly controlled going forward. Site surveys have already been done to understand the sub-structure as far as is possible, and as many risks as possible have been passed to the contractors. A new project management structure had been put in place and the Principal believed that she could demonstrate appropriate senior management input and control.

**Decision:** The Committee were satisfied that the issues raised at the previous meeting have now been addressed. The committee agreed to endorse the £44.851million detailed project proposal at the 43% (£19.286million) grant support level.

3.8 The Committee asked Regional LSC staff to feedback to the Regional Board that better scrutiny of projects is required.
Item 4. Capital Applications for Approval by the Council

North West Kent College

4.1 The Committees noted the Chairs declared interest as Chair of the South East Regional Board and requested he continue chairing this item.

4.2 The Regional Board had noted three issues, the increasingly high learner growth, the proposed merger and the project management arrangements for such a large project.

4.3 The college informed the committee that 30,000 new homes and 50,000 new jobs are planned for the area by 2026 and that the 16-19 cohort is predicted to increase, however not during the scope of this project.

4.4 The college felt that the growth rates are challenging, requiring 10% to 12% year-on-year growth. There is traditionally poor progression into HE and participation at 16-19 is below average.

4.5 The RDA, SEEDA, have already contributed to some of the other projects at the College’s satellite sites which has resulted in this project being smaller than would otherwise be needed but appears unable to contribute further. It was noted that SEEDA are the least well funded RDA but have invested in the infrastructure and HE aspects of the Thames Gateway. RDAs do not normally fund college premises directly and it would be difficult for the RDA to significantly fund any aspect of the project.

4.6 The management of the Gravesend phase has gone well so far, although a new senior manager has been appointed to assist with the workload. The timetable and costs are both on target and no fundamental changes will be necessary. The Gravesend plan has been used as the basis of this project management plan.

4.7 There will be an enormous change for staff when the projects are completed however the college was confident that the culture shift would be well managed. Ongoing staff structure changes have already started to lessen the step change. The college already have an excellent staff development programme and induction programme which will both be used to prepare staff for the new working environment.

4.8 The possible merger with Bexley College was an idea which arose from Bexley looking at student movement patterns. After discussion, both colleges have agreed that it is premature and the situation will be reviewed again in several years.

4.9 The Committee felt that this is an excellent project and that the college would be able to deliver it successfully.

**Decision:** The Committee agreed to endorse the £84.721million project proposal on an in principle basis for approval by the Council at an indicative 93% (£78.791million) grant support level.

Bournville College

4.10 The College is planning on moving 4 miles to the Longbridge regeneration site, close to North East Worcestershire College. The College will purchase
the completed development from St Modwen Properties PLC, who are AWM’s preferred developer. AWM have gifted the site to the college.

4.11 There are no issues with the increased proximity to NEW College, the two providers already work closely together to deliver a coordinated curriculum and New College have a member on Bournville’s Development Board as it will have facilities on the new campus. The M42 runs between the two colleges to separate the area into two distinct parts.

4.12 The 16-18 learner numbers are projected to increase from 1325 to 1620 to 2010.

4.13 Construction costs are above normal due to the developers fees. The combined fees account for 22% of the costs; it is normally expected to be around 12%. St. Modwen’s fees have already been negotiated down from 18% to 12% reflecting the 9% developers’ profit.

4.14 AWM own the 350 regeneration zone and have allocated the 4.2 acre site to the college. AWM have an agreement in place which guarantees that all developments must use St. Modwen, who will contact out the building work of the college but will assume the project risks. The college cannot approach other developers to obtain other tenders. The regeneration zone is a new town centre, not a business park and therefore it is run in a very different way. The service charge covers site security, maintenance and cleaning.

4.15 The site is a unique opportunity and the benefits it creates for the college will outweigh the complications and additional costs.

4.16 The timescales will be the biggest risk; the Secretary of State will need to approve the Area Action Plan before any work can begin. The college is unable to submit a planning application until after that approval, however St Modwen have obtained outline planning permission for the whole site and the college have worked closely with the planners to ensure there will be no delays once the plans are submitted. The current timescales are unrealistic and the college accepts that it will be unlikely to open until 2011, not 2010.

4.17 The future curriculum will take shape once there is a better understanding of which employers will come to the regeneration zone. The automotive industry is already there and the college is working with New College to meet their needs. The curriculum is likely to change significantly and the new building will enable new and better ways of delivering learning.

4.18 The income projections are skewed due to a very large ESF contract ending during the period. This is currently worth £3.9million to the college but will reduce next year and stop in 2009/10. There may be the possibility of another small ESF contract after that time.

4.19 The Committee were unsure what project management would be provided by St. Modwen and had concerns over the amount of fees being paid which would need to be clarified at the detailed application stage. The Committee also requested that the financial forecasts should be recalculated for the detailed application. The £1.1million running cost savings moving to the new building are not immediately obvious in the current forecasts, borrowing could be slightly higher in the third year after the build, and there are still uncertainties over ESF funding and the contract with New College.
Decision: The Committee endorsed the £74.946million project on an in principle basis for approval by the Council at the indicative 83% (£62.205million) grant support level.

Huddersfield Technical College

4.20 The Committee was informed that this is a large general FE college who deliver a very broad curriculum. There are concerns over the merger with Dewsbury College which has significant financial difficulties. Land deals at Dewsbury had started negotiations before the merger was considered. The Regional Board had been concerned that the college may not be able to deliver the project, the merger and a project at Dewsbury after the merger.

4.21 The Committee was reminded that the guidance for projects in merger situations states that grant support must be calculated on the financial forecast of the merged college. An indicative rate can be given at AiP stage but this will change. A balance must be struck between making the college wait until the financial situation becomes clear and allowing the college to progress with a much needed project.

4.22 The slope of the site creates an additional challenge, however, the proposed building will make best use of the topography. The developers profit is stated at 9% however it appears that Strategic Sites have not taken on the usual responsibilities and risks of a developer and were simply being compensated for the loss of a development opportunity which in the current market might not be available anyway. The papers stated that Strategic Sites will remedy the land yet the land is already valued at £3.5million on the understanding that the sellers will remediate it before the purchase. It was agreed that this would be further investigated with the college with a view to reducing these sums.

4.23 The project management plan has worked in several natural breaks so that the project can be reassessed before key points.

4.24 There has been a long standing and productive working relationship with Kirklees College and the merger will not have a significant impact on the design and build of this project, which was always designed to benefit the area as a whole. The two colleges are 9 miles apart and therefore two sites will always be needed. The merger will take the college out of financial category A.

4.25 The growth figures are very impressive; the cohort is expected to increase, and the college is linking into the Building School for the Future programme and will develop diplomas and young apprenticeships. Full cost provision will also be developed further. The college felt that they could work harder on Train to Gain as they are already hitting their targets; 5,000 starts were planned for this year – increasing from 2,209 last year – 1,000 starts were made in a single month.

4.26 The Committee were impressed with the growth forecasts and the ability of the college to deliver on it. Some changes will be necessary for the merged college but these will be minimal and mostly in the support functions such as finance and HR.
4.27 The grant support may change depending on the outcomes of the discussion with the college, and possible the developer, around the developer's profit, and the financial position of the merged project is not yet known past the second year after completion.

**Decision:** The Committee agreed to endorse the £88.941million project on an in principle basis for approval by the Council at the indicative 63% (£56.030million) grant support level with the caveat that the proposed merger with Kirklees College is approved, and the issues relating to the developer. It was recognised that this might change after feedback from the Regional Board.

**Liverpool Community College**

4.28 The Committee were told that this is phase 5C of the college’s phased rebuild of their entire campus. It is the first phase to apply for significant LSC funding. The college is highly successful and well run.

4.29 Growth on this phase is 170 learners over 3 years, however some growth also occurred at phases 5A and 5B, it is therefore difficult to look at isolated learner numbers for this sub-phase. The college is highly successful and there is confidence the project and growth is achievable.

**Decision:** The Committee agreed to endorse the £33.473million project on an in principle basis for approval by the Council at the indicative 49% (£16.402million) grant support rate.

**Warwickshire College**

4.30 This project seeks to relocate the Rugby campus into the regeneration zone. This is an expanded scheme from the one seen at AiP stage which takes into account a Power Scheme which is being funded by AWM.

4.31 Costs have hardly increased since the Committee last saw the project at the in principle stage and the LSC contribution has decreased. As with many projects there remains a slight risk around the disposal price.

4.32 AWM will base their decision to fund the Power Academy element of the scheme on the Committee’s decision. If AWM decide not to fund then that element will not proceed.

4.33 The Committee commented that this is a well specified scheme and the tendering has been very competitive. The project represents excellent value for money to the LSC.

**Decision:** The Committee agreed to endorse this £33.410million detailed project proposal for approval by the Council at the 30% (£10.023million) grant support level.

**Southampton College**

4.34 At first site this appears to have a significant cost increase from the AiP approval, however the three phase project has been condensed into two; this is the first phase. Other cost increases are due to the inclusion of IT costs.
4.35 The Committee noted that it is very difficult to compare to the project seen at AiP and reminded regional staff that a second AiP approval is normally required where significant changes occur.

4.36 The costs for both phases will not be significantly higher than the costs of the original three phase project; the bank lending rates offered at the time are still available to the college.

**Decision:** The Committee agreed to endorse this £31.299million detailed project proposal for approval by the Council at the 62% (£19.404million) grant support level.

**Aquinas College**

4.37 This is still a very over-subscribed college and prospective students often camp outside the night before enrolment. This is an excellent college and an excellent project and almost identical to the one seen at AiP. If the college ceases operations within 40 years the Diocese has agreed that the buildings will remain in public ownership and use.

**Decision:** The Committee agreed to endorse this £41.458million detailed project proposal for approval by the Council at the 94% (£39.156million) grant support level.

**Item 5. Capital Applications for Approval by the Capital Committee**

**Barrow Sixth Form College**

5.1 The negative NPV on this project has been signed off by the National Director of Finance. The costs are above the normal cost norms due to the remoteness of the college. The Committee were unconvinced of this argument and expect to see costs fit the criteria model at the detailed stage.

5.2 The Committee felt that the size of the internal project management team was too small, and outside project management should be sought.

5.3 The operating surplus in 2011 appears to be unusual however the financial advisors confirmed to the Committee that it is due to accounting technicalities.

**Decision:** The Committee approved the £21.495million in principle project proposal at the indicative 89% (£19.137million) grant support level. The Committee noted that this project may not return before the end of the LSC.

**MANCAT**

5.4 The Committee were reminded that this project would be funded from the 16-19 Capital fund. The college has an agreement with DCSF that the competition process will not be necessary on this project as MANCAT qualifies under the FE presumption; however, if the college were to complete its merger with City College before the project is approved that deal may not still apply. The competition process will significantly delay this project and add further cost.

5.5 Space norms of both projects are exceeded however this is to enable later phases which will rationalise the space requirements and return them to
within the correct limits. These phases will be required within 12 to 18 months as the Secretary of State has already approved the merger.

5.6 The college had requested that the financial assessment be done on the single, not merged college. The LSC guidelines are clear that this is not possible and the merged college will be assessed.

**Decision:** The Committee approved the £9.299million in principle Harphury Road project proposal at the indicative 20% (£1.860million) grant support level.

**Decision:** The Committee approved the £25.889million in principle Brownley Road project proposal at the indicative 20% (£5.178million) grant support level.

**Carmel College**

5.7 The college is seeking detailed approval for phase 1 and agreement in principle for phase 2. Phase 1 has increased by £3million since AIP, excluding building cost inflation. The increase is due to requiring additional preliminary work to enable site access, an additional 261m² of accommodation in this phase (although a reduction of 572 m² in phase 2) and additional external works.

5.8 The Committee accepted the explanation for the cost increases but noted that it did not inspire confidence in the project management.

**Decision:** The Committee approved the £22.202million phase 1 in detail project proposal. The grant support level will be set at the June meeting.

**Action:** The Committee must set the Phase 1 grant support at the June meeting.

5.9 The second phase cannot start until 2010 however projects this far in advance have previously been given approval. The project must however start within three years of agreement in principle. The detailed approval will not be sought within the normal 12 months.

5.10 There is no growth in learner numbers yet the NPV is positive. The college grew by 200 learners from 04/05 to 07/08 and the project seeks to accommodate this. Cohort changes will prevent any significant learner growth, and the Building Schools for the Future programme and new academies will also increase competition.

5.11 It was noted that some phase 1 costs appear in this second phase. This indicates that phase 1 costs have increased by more than the indicated £3.5million.

5.12 In the previous minutes circulated to members it was noted that the diocese would sign an agreement to return the college buildings back to the public purse if the college folded within 40 years. The Committee asked LSC officers to check whether this agreement had now been signed.

**Action:** LSC officers to check the agreement with the Diocese.

**Decision:** Setting an intervention rate at this early stage is not possible. The Committee did not approve this second phase but instead encouraged the college to return in 18 months when more details are known.
East Riding College

5.13 The predicted learner growth looks good however the income remains the same over the period due to a large contract with the Prison Service coming to an end.

5.14 There is confidence in the project management team to deliver this.

5.15 At AiP the project was approved at 69%, this has increased to 71%, however phase two will be lower and the cost to the LSC will therefore be balanced out.

Decision: The Committee approved the £16.376million in detail project proposal at the 71% (£11.620million) grant support level.

Wyke College

5.16 The building cost inflation was incorrectly calculated at AiP stage and has now been corrected, adding an additional £0.549million. It was noted that the unusual depreciation cost pattern was due to the IT costs which are calculated on a much smaller timescale.

Decision: The Committee approved the £12.028million in detail project proposal at the 89% (£10.705million) grant support level.

South Thames College

5.17 This project is for enabling works which need to be carried out over the summer. The project remains unchanged from the AiP stage which the Committee saw last month.

5.18 The Committee approved the £2.101million in detail project proposal at the 97% (£2.038million) grant support level.

Item 6. Projects approved under Delegated Authority and ASL projects.

6.1 The Committee noted the paper and the approvals for the following providers:
- MANCAT
- Wexham School
- Hamble School
- Ringmer School

ASL Projects

Decision: The Committee approved the 11 ASL projects listed in the papers.

Item 7. Date of next meeting

7.1 The next meeting of the Committee will take place on 19 June, the Committee were reminded that this would be held at Hartpury College. A working dinner will be arranged for the previous night starting at 7:30.
Annex A: Attendees.

Present
Norman Boyland
Alan O'Neill
George Sweeney
Richard Haynes
Terry Dabbs
Paul Jagger
Mike Collier (until Bournville College only)

In attendance
For Barnet College
Marilyn Hawkins - Principal
Steve Smith
Martin Smith
Catherine Davies - LSC
Mary Vine Morris - LSC
Simon Tolaini - LSC
For North West Kent College
Malcolm Bell - Principal
Terry Knight
Tony Allen - LSC
Isabelle Wragg - LSC
Chris Birt - LSC
For Bournville College
Norman Cave - Principal
Anne Mitchell
Rav Garcha
Peter Bramall - LSC
Debbie Callaghan - LSC
Chris Knight - LSC
For Huddersfield Technical College
Chris Sadler - Principal
Melanie Brookes
Steve Scarre
Mike Green - LSC
Margaret Cobb - LSC
Richard Hoyle - LSC
For Liverpool Community College
Kevin Mothersdale - LSC
Debbie Callaghan - LSC
Steve Dunmore - LSC
For Warwickshire College
Yvonne Rose - LSC
Debbie Callaghan - LSC
Chris Knight - LSC
For Southampton College
Evelyn Byrne - LSC
Isabelle Wragg - LSC
Chris Birt - LSC
For Barrow Sixth Form College
David Johnson - LSC
Steve Dunmore - LSC
Emer Clarke - LSC
For MANCAT
John Rawsthorne - LSC
David Johnson - LSC
Steve Dunmore - LSC
Chris Griffin - LSC
For Carmel College
David Johnson - LSC
Nicola Scott - LSC
Steve Dunmore - LSC
For East Ridings College
Bob Flockton - LSC
Mike Green - LSC
Richard Hoyle - LSC
For Wyke College
Bob Flockton - LSC
Mike Green - LSC
Richard Hoyle - LSC

LSC staff
Philip Head
Denis Miles
Judith Wilson
Roger Taylor
Pete Sanders

Apologies
Apologies have been received from:
David Russell
Lynne Morris
John Taylor

Meeting chair
Norman Boyland
Minute taker
Pete Sanders
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